

AGENDA FOR

AUDIT COMMITTEE

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To: All Members of Audit Committee

Councillors : D Jones, J Mallon (Chair), S Nuttall, D Silbiger, Sarah Southworth, R Walker, Whitby and S Wright and vacancy.

Dear Member/Colleague

Audit Committee

You are invited to attend a meeting of the Audit Committee which will be held as follows:-

Date:	Wednesday, 25 January 2017
Place:	Lancashire Fusiliers Room - Town Hall
Time:	7.00 pm
Briefing Facilities:	If Opposition Members and Co-opted Members require briefing on any particular item on the Agenda, the appropriate Director/Senior Officer originating the related report should be contacted.
Notes:	

AGENDA

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTEREST

Members of the Audit Committee are asked to consider whether they have an interest in any of the matters on the agenda and, if so, to formally declare that interest.

3 MINUTES OF THE LAST MEETING *(Pages 1 - 6)*

The Minutes of the last meeting of the Audit Committee held on 18 October 2016 are attached.

4 MATTERS ARISING

5 FINANCIAL MONITORING REPORT *(Pages 7 - 14)*

A report from the Interim Executive Director of Resources and Regulation is attached.

6 QUARTERLY GOVERNANCE STATEMENT *(Pages 15 - 30)*

A report from the Head of Financial Management is attached.
Corporate Risk Register is attached.

7 ANNUAL REPORT ON GRANTS AND RETURNS 2015/2016 *(Pages 31 - 36)*

A report from Bury's External Auditor, KPMG is attached.

8 EXTERNAL AUDIT PLAN 2016/2017 *(Pages 37 - 54)*

A report from Bury's External Auditors KPMG is attached.

9 EXCLUSION OF PRESS AND PUBLIC

To consider passing the appropriate resolution under Section 100(A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following items of business since they involve the likely disclosure of the exempt information stated.

10 INTERNAL AUDIT PROGRESS REPORT *(Pages 55 - 66)*

A report from the Head of Financial Management is attached.
Appendix A attached
Appendix B attached
Appendix C attached
Appendix D attached

11 INTERNAL AUDIT FEEDBACK *(Pages 67 - 72)*

A report from the Head of Risk Management is attached.
Appendix attached

12 INTERNAL AUDIT PLAN 2017/2018 *(Pages 73 - 84)*

A report from the Head of Financial Management is attached.
Appendix A attached
Appendix B attached

Minutes of: **AUDIT COMMITTEE**

Date of Meeting: 18 October 2016

Present: Councillor J Mallon (in the Chair)
 Councillors D Jones, Sarah Southworth, R Walker and Whitby

**Also in
attendance:**

Public Attendance: No members of the public were present at the meeting.

Apologies for Absence: Councillor S Nuttall, Councillor D Silbiger and Councillor S Wright

AU.339 DECLARATIONS OF INTEREST

Councillor Mallon declared a personal interest in any item relating to the Department for Children, Young People and Culture as his wife is employed in a Bury High School.

Councillor Sarah Southworth declared a personal interest in any item relating to Six Town Housing as she is a Member of the Board of Directors. She also declared a personal interest in any item relating to Persona as her husband's accountancy business has been awarded the contract to audit Persona.

Councillor Jones declared a personal interest in any item relating to the Department for Children, Young People and Culture as his wife is employed in a Bury School. Councillor Jones also declared an interest in any item relating to the Standards Committee as he was a member of that Committee.

Councillor Whitby declared a personal interest in any item referring to Bury Blind and Partially Sighted People and Communic8te Bury as she was a member of both.

AU.340 MINUTES OF THE LAST MEETING

It was agreed that the Minutes of the last meeting held on 19 July 2016 be approved as a correct record and signed by the Chair.

AU.341 FINANCIAL MONITORING REPORT APRIL 2016 - JUNE 2016

Steve Kenyon, the Interim Executive Director of Resources and Regulation presented a report updating the Committee on the authority's financial position in line with the Committee's Statement of Purpose to 'Provide independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment'.

It was reported that that the authority is projecting an overspend of £6.395m for the year, based on spending and income information as at 30 June 2016.

It was explained that the Authority's financial position is continually monitored throughout the year, monthly reports are considered by departmental

management teams and summaries available to Cabinet Members. A monthly summary is submitted to the Senior Leadership Team and to the Cabinet Member for Finance.

Quarterly detailed monitoring reports are considered by the Senior Leadership Team, the Cabinet, Star Chambers and the Overview and Scrutiny Committee. These set out a risk assessed summary of the financial position, explanations of major variances from budget, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy.

It was explained that the projected overspend of £6.395m represents approximately 5.09% of the total net budget of £125.536m, and compares to an overspend of £1.480m at the same point in 2015/16.

An overview of the variance was outlined in the report.

It was reported that due to the extremely difficult financial situation facing the Council in 2016/2017 the Senior Leadership Team had agreed and drawn up an action plan with some immediate additional spending controls over and above the usual controls:-

- Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
- Release of all existing casual/agency staff (exceptions to be signed off by SLT);
- Cease overtime/additional hours (exceptions to be signed off by SLT);
- Enter into no new training commitments and review existing training (exceptions to be signed off by SLT);
- Re-launch Work Life Balance options around reduced hours/purchase of leave;
- Cease spend on discretionary budgets; stationery, office equipment etc;
- Cease spend on IT/Communications (exceptions to be signed off by SLT);
- Any spend greater than £250 to be signed off by Executive Director;
- Any new contractual commitments greater than £5000 (lifetime value of contract) to be signed off by SLT;
- Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non key services.

These controls had been in place since 9 August and compliance was being monitored.

In addition Executive Directors have been tasked with preparing turnaround plans as a matter of urgency for their departments to ensure that levels of expenditure are controlled and sustainable going forward.

Work was being carried out in relation to procurement activity and the possibility of renegotiating contracts including ones that weren't as yet up for renewal.

It was explained that the report being presented showed month 3 figures so the situation will have moved on. The month 6 report would be produced over the coming weeks and would show the most recent figures.

Those present were given the opportunity to ask questions and make comments and the following points were raised:-

- Councillor Whitby referred to future proofing in relation to demand pressures and asked what was being done about this.

It was explained that all members of staff had been briefed and had been asked to look at ways that the Council and staff could be more innovative. An email address had been given out where suggestions and ideas could be sent.

- Councillor Jones asked whether unachievable cuts had been set at the time that the current budget was set and if this was the case how do we approach the next budget.

Steve stated that nothing was promised that was felt would be unachievable. He explained that the budget setting process was robust and savings plans put forward by the Executive Directors had been signed of by the respective Portfolio Holders and had been subject to challenge by himself and the then Cabinet Member for Finance.

- Councillor Whitby referred to the 'Invest to Save' scheme within Children's Services and asked how this was working out.

Steve explained that the Invest to Save schemes would take time to deliver and wouldn't necessarily deliver in year. Realistically up to 3 years before the saving were delivered.

Delegated Decision:

That the contents of the report be noted.

AU.342 QUARTERLY GOVERNANCE STATEMENT - APRIL TO JUNE 2016

The Head of Financial Management presented a report providing Members with a quarterly update on the Annual Governance Statement which had been approved by the Audit Committee at its meeting on July 19 2016.

The report gave an update on the continuous monitoring that was carried out and highlighted any relevant issues with regards to Risk Management, Business Continuity, Budget Monitoring, the work of Internal Audit, the work of the Governance Panel and Sickness levels across the authority's staff.

The up to date Corporate Risk Register was tabled at the meeting and informed Members of the risk event and status. It was explained that the Risk Register had been updated to reflect the most current high level risks facing the organisation. The format of the register had been revised and now included the raw risk score (4x4x4) and the residual risk scores likelihood, impact and proximity. The document was a live document that could be updated daily.

Those present were given the opportunity to make comments and ask questions and the following points were raised:

- Councillor Jones referred to the risk that the Council doesn't agree a balanced budget and the residual risk score of 32 that had been attributed to it. Councillor Jones asked whether the likelihood score should be raised from 2 to 3 which would raise it from 32 to 48 from a medium risk to a high risk.

It was suggested that once the Month 6 figures were known the score could be looked at again.

Steve also reported that the Strategic Leadership Team reviewed the register at their weekly meetings.

Delegated decision:

That the contents of the report be noted.

AU.343 ANNUAL AUDIT LETTER 2015/2016

Rashpal Khangura representing KPMG presented the Annual Audit Letter which summarised the key findings from KPMG's 2015/2016 audit of the Authority. The audit covered the Authority's 2015/2016 financial statements and the 2015/2016 Value For Money conclusion.

The report confirmed the unqualified conclusion that had been issued on 19 July in relation to Value for Money.

The audit had been formally closed on 29 September 2016 and the certificate was issued for the 2015/2016 audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Appended to the report was a breakdown of the Audit Fees which were in line with the planned fee.

Delegated decision:

That the contents of the Annual Audit Letter 2015/2016 be noted.

AU.344 EXCLUSION OF PRESS AND PUBLIC

Delegated decision:

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following items of business since they involved the likely disclosure of exempt information, relating to any action taken, or to be taken in connection with the prevention, investigation and prosecution of crime.

AU.345 INTERNAL AUDIT PROGRESS REPORT - APRIL 2016 - JUNE 2016

The Head of Financial Management submitted a report briefing the Committee Members on the work being carried out currently by Internal Audit in line with the Annual Audit Plan 2016/2017.

Details of work undertaken and Audit Reports issued were included in the report with significant issues highlighted. This included work carried out against the approved plan, detailing trial reports issued with the last Audit Committee meeting and a suite of performance indicators.

Delegated decision:

That the contents of the report be noted

AU.346 MEMBERS' FEEDBACK

The Head of Financial Management submitted a report providing feedback to Committee Members in the form of responses to specific issues raised in relation to Audit Reports and queries. This included; details of cash transactions on large cash transactions and by providing follow-ups to audit that had been revisited since the Audit Committee meeting in April 2016.

Delegated decision:

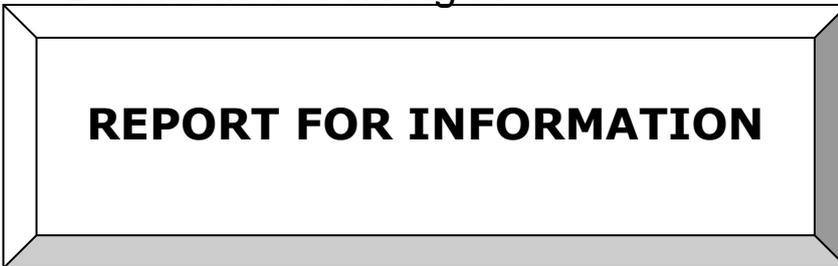
That the contents of the report be noted.

COUNCILLOR J MALLON
Chair

(Note: The meeting started at 7.00 pm and ended at 8.10 pm)

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Agenda Item	
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MEETING: **AUDIT COMMITTEE**

DATE: **25th January 2017**

SUBJECT: **FINANCIAL MONITORING REPORT – APRIL 2016 TO SEPTEMBER 2016**

REPORT FROM: **INTERIM EXECUTIVE DIRECTOR OF RESOURCES & REGULATION**

CONTACT OFFICER: **S Kenyon**

TYPE OF DECISION: **NON-KEY DECISION**

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain

SUMMARY: To up-date the Committee on the authority’s financial position in line with the Committee’s Statement of Purpose to *‘provide....independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment’.*

The report shows that the authority is projecting an overspending of **£4.921m** for the year based on spending and income information as at 30th September.

OPTIONS & RECOMMENDED OPTION The Committee is asked to note the contents of the report.

IMPLICATIONS:

Corporate Aims/Policy Framework: Do the proposals accord with Policy Framework? Yes.

Comments of s151 Officer: Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council’s Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been

prepared in accordance with all relevant Codes of Practice.

There may be risks arising from any changes to service levels or service patterns that result from any remedial action taken to address the budget position. These will be identified by Directors when savings plans are considered by Members at the quarterly Star Chamber meetings.

Comments of Executive Director of Resources & Regulation:

The successful management of the Council's financial resources is central to the Council's Financial Strategy. Successful budget monitoring provides early warning of potential major overspends or underspendings against budget of which Members need to be aware.

This report draws Members attention to the fact that, based on the most prudent of forecasts, several budget hotspots exist which will need remedial action in the coming weeks and months. Members and officers will be examining these areas in more detail at the Star Chambers together with proposals for actions to be undertaken in the current year.

Equality/Diversity implications:

No

Considered by Monitoring Officer:

Budget monitoring falls within the appropriate statutory duties and powers and is a requirement of the Council's Financial Regulations to which Financial Regulation B: Financial Planning 4.3. (Budget Monitoring and Control) relates. The report has been prepared in accordance with all relevant Codes of Practice.

Are there any legal implications?

Yes

Staffing/ICT/Property:

There may be staffing implications arising from the need to address budget pressures.

Wards Affected:

All

Scrutiny Interest:

Overview & Scrutiny Committee

TRACKING/PROCESS

DIRECTOR: Steve Kenyon

Chief Executive/ Senior Leadership Team	Cabinet	Overview & Scrutiny	Council	Ward Members	Partners
	14/12/16	14/12/16			

1.0 INTRODUCTION

- 1.1 This report is intended to allow the Committee to keep abreast of the authority’s financial position and to gauge the effectiveness of corrective action that has been determined by the Cabinet and/or Scrutiny Committee.
- 1.2 This report summarises the forecast financial position as at the end of September 2016.

2.0 MONITORING PROCESSES

- 2.1 The Authority’s financial position is continually monitored throughout the year as follows;

Monthly - reports are considered by service management teams and summaries made available to specific Cabinet Members. A monthly summary of the financial position is submitted to the Senior Leadership Team and to the Cabinet Member for Finance.

Quarterly – detailed corporate monitoring reports based on the position at June, September, December and March (year end) are considered by the Senior Leadership Team, the Cabinet, Star Chambers and Overview & Scrutiny Committee. These set out a risk assessed summary of the financial position, explanations of major variances from budget, an assessment of the minimum level of balances, information on the forecast balances position and an assessment of performance against the objectives of the Financial Strategy (including the Golden Rules).

- 2.2 Members are also advised that regular Star Chamber meetings take place to deal with particular areas where financial pressures have been identified.

3.0 FINANCIAL POSITION

- 3.1 The authority’s overall financial position based on forecasts made using income and expenditure information as at 30th September 2016 is summarised in the table in paragraph 3.3. As Members will be aware, financial reporting involves an element of judgement, and this particularly applies to the treatment of budget pressures.
- 3.2 It is appropriate to alert Members to potential pressures at this stage so that they can monitor the situation and take ownership of the necessary remedial action and this is the basis on which the report is written.
- 3.3 In summary the outturn forecast based on the position at 30th September 2016:

Department	Budget £'000	Forecast £'000	Variance £'000
Communities & Wellbeing	69,873	72,468	+2,595
Resources & Regulation	3,396	4,551	+1,155
Children, Young People & Culture	35,323	38,306	+2,983
Non Service Specific	16,943	15,131	(1,812)
TOTAL	125,535	130,456	+4,921

3.4 The projected overspend of £4.921m represents approximately 3.92% of the total net budget of £125.535m, and compares to an overspend of £6.395m at quarter 1.

3.5 An overview of the reasons for this variance is outlined in the table below;

Month 6 Reason	Communities & Wellbeing £'000	Children Young People & Culture £'000	Resources & Regulation £'000	Non Service Specific £'000	TOTAL £'000
Demand Pressures	3,089	1,529	410	254	5,282
Delayed Achievement of Cuts Options	2,196	0	0	0	2,196
Non-Achievement of Cuts Options	1,017	1,420	62	0	2,499
Income Shortfall	91	0	1,226	0	1,317
Planned use of one-off funding	-2,325	292	0	0	-2,033
Impact of 10 Control Measures	-1,607	-409	-334	0	-2,350
Other	134	151	-209	-2,066	-1,990
TOTAL	2,595	2,983	1,155	-1,812	4,921

3.6 Due to the extremely difficult financial situation facing the Council in 2016/17 the Senior Leadership Team has therefore agreed and drawn up an action plan with some immediate additional spending controls over & above usual controls.

These include:

1. Recruitment freeze on staff and new agency placements (exceptions to be signed off by SLT);
2. Release of all existing casual / agency staff (exceptions to be signed off by SLT);
3. Cease overtime / additional hours (exceptions to be signed off by SLT);

Document Pack Page 11

4. Enter into no new training commitments, and review existing arrangements (exceptions to be signed off by SLT);
 5. Re-launch Work Life Balance options around reduced hours / purchase of leave;
 6. Cease spend on discretionary budgets; stationery, office equipment etc;
 7. Cease spend on IT / Communications (exceptions to be signed off by SLT);
 8. Any spend greater than £250 to be signed off by Executive Director;
 9. Any new contractual commitments greater than £5,000 (lifetime value of contract) to be signed off by SLT;
 10. Consider "in year" budget options – e.g. previously unidentified efficiencies, review of non-key services.
- 3.7 These were communicated to staff on 9 August and compliance with these will be monitored throughout the year. It is expected that these actions will not only help to reduce the financial burden facing the Council within the current year but also for the coming years.
- 3.8 In addition to these measures, Executive Directors have been tasked with preparing "turnaround" plans as a matter of urgency for their Departments, to ensure that levels of expenditure are controlled and sustainable going forward.

Commitment Accounting

- 3.9 Further analysis of the month 6 figures highlights;

Status	£'000	This Year %	<i>Last Year %</i>
Spent @ 30/9/16	49,380	37.8	33.7
Committed @ 30/9/16	24,325	18.7	11.9
Forecast (1/10/16 – 31/3/17)	56,751	43.5	54.4
Total	130,456	100.0	100.0

- 3.10 Spend and Commitment are clearly factual, however "forecast" is based upon an assessment of a wide range of factors and risks.

Balance Sheet Monitoring

- 3.11 The following key indicators have been extracted as at Month 3;

Indicator	Position at 1/4/16	Position at 30/6/16	Position at 30/9/16
Treasury Performance			
Total Sums Invested	£22.6m	£25.6m	£28.8m
% Return on Investments*	0.71%	0.92%	0.83%

Total Sums Borrowed	£196.0m	£191.5m	£196.5m
% Cost of Borrowing	3.95%	3.95%	3.95%
Assets			
Stocks & Work in Progress	£1.482m	£1.412m	£0.836m
Long Term Debtors	£0.080m	£0.080m	£0.080m
Sundry Debtors	£48.516m	£13.716m	£13.401m
Cash	£4.925m	£3.097m	£3.954m
Liabilities			
Sundry Creditors	£39.222m	£4.589m	£1.805m
Short Term Provisions	£3.351m	£3.127m	£3.113m

Note* - compares to sector benchmark of 0.50%

- 3.12 It should be noted that these figures represent a “snapshot” of the Council’s Balance Sheet at a given point in time, and are by no means indicative of the Council’s overall financial position.
- 3.13 From a monitoring perspective however they provide useful information, and trends can be plotted as the exercise is repeated in future quarters.

Procurement Activity

- 3.14 The table below summarises key performance indicators maintained by the Procurement Section;

Indicator	Performance To Date	Performance Last Year
%age of orders placed via automated purchasing system	93.11%	91.83%
%age of invoices received in electronic format	18.92%	10.75%
Cashable Procurement savings (Procurement Team)	£176,137	£20,628
%age spend in Bury Area	25.10%	15%
Number of Bury suppliers invited to bid via the “Chest”	59	53
Number of contracts Bury Suppliers invited to bid for via the “Chest”	72	92

Minimum Level of Balances

3.15 The actual position on the General Fund balance is shown below:

	£m
General Fund Balance 1st April 2016 per Accounts	10.063
Less : Minimum balances to be retained in 2016/17	-4.250
Less : Forecast overspend	-4.921
Forecast available balances at 31st March 2017	+0.892

3.16 Based on the information contained in this report, on the risk assessments that have been made, on the forecast outturn position for 2016/17 and using the latest available information on the likely achievement of savings options it is clear that there is no reason to take the minimum balances above the existing level of £4.250m.

S. Kenyon
Interim Director of Resources & Regulation

Background documents:

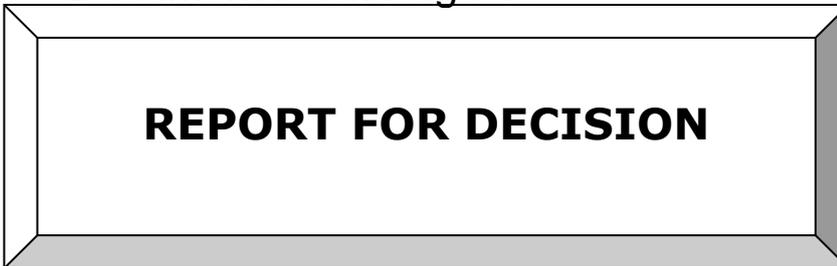
Further information available from the Interim Executive Director of Resources & Regulation;

Mr S Kenyon,
 Tel. 0161 253 6922, Email: S.Kenyon@bury.gov.uk

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Agenda Item	
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MEETING: AUDIT COMMITTEE

DATE: 25 JANUARY, 2017

SUBJECT: QUARTERLY GOVERNANCE STATEMENT - APRIL to SEPTEMBER 2016

REPORT FROM: HEAD OF FINANCIAL MANAGEMENT

CONTACT OFFICER: ANDREW BALDWIN

TYPE OF DECISION: NON-KEY DECISION

FREEDOM OF INFORMATION/STATUS: This paper is within the public domain.

SUMMARY: This report presents Members with a quarterly update on the Annual Governance Statement. The 2016/17 Annual Governance Statement was approved by Audit Committee on 19 July 2016.

OPTIONS & RECOMMENDED OPTION The Committee is asked to note the contents of the report.

Members are requested to consider the revised corporate risks at Appendix A (risk register to follow).

IMPLICATIONS:

Corporate Aims/Policy Framework: Do the proposals accord with Policy Framework? Yes.

Financial Implications and Risk Considerations: The Annual Governance Statement is a fundamental document for recording, monitoring and communicating the effectiveness of the internal control framework within the Council.

Statement by Assistant Director of Resources & Regulation (Finance & Efficiency): Failure to maintain an internal control and governance framework jeopardises the Council’s ability to deliver economy, efficiency and effectiveness in the delivery of its priorities and ambitions.

Equality/Diversity implications: No

Considered by Monitoring Officer: Yes - Through the Governance Panel; the Monitoring Officer has raised no issues that require inclusion in the Quarterly Governance Statement.

Are there any legal implications? No

Staffing/ICT/Property: No

Wards Affected: All

Scrutiny Interest: No

TRACKING/PROCESS

DIRECTOR: STEVE KENYON

Chief Executive/ Strategic Leadership Team	Cabinet Member/Chair	Ward Members	Partners
Scrutiny	Cabinet	Committee	Council
		Audit 25/01/17	

1.0 Purpose of the Annual Governance Statement

- 1.1 The purpose of the Annual Governance Statement is to provide a continuous review of the effectiveness of an organisation’s internal control and risk management system in order to give an assurance as to their effectiveness.
- 1.2 It is a mandatory requirement to produce a Governance Statement to accompany the Authority’s Statement of Accounts – as presented on 19 July 2016.
- 1.3 It is accepted good practice to continuously review the internal control framework and make interim reports to those charged with governance – the Audit Committee.
- 1.4 The Council has adopted this practice since 2008 and refers reports to the Audit Committee on a quarterly basis.

2.0 Matters for consideration

- 2.1 Members are asked to:
 - Note the report

3.0 Quarterly Update

3.1 Risk Management

- 3.1.1 Risk registers are held at both Corporate and Departmental level.
- 3.1.2 The registers are web-based to allow “real time” update as and when circumstances require.
- 3.1.3 An officer-level risk management group meets quarterly to discuss operational matters. Meetings are scheduled to coincide with the quarterly meetings of the Corporate Risk Management Group. The Operational Risk Management Group met in October 2016 and their next meeting is scheduled to take place on the 10th January 2017.
- 3.1.4 Similarly, a Member-level Corporate Risk Management Group sits quarterly to review the Corporate Risks and take account of issues arising from the Operational Risk Management Group. The Corporate Risk Management Group last met on the 13th December 2016.
- 3.1.5 The Corporate Risk Register has been updated to reflect the latest high level risks facing the organisation; see Appendix A (to follow).

3.2 Business Continuity

- 3.2.1 The Authority has ranked key services in terms of required recovery times, and business continuity plans continue to be developed.
- 3.2.2 A database has now been developed to host these plans, and ensure appropriate arrangements are in place where services are inter-dependant. All the 246 service plans have now been uploaded and the focus now is on improving the information held within the database.
- 3.2.3 Priority is on ensuring all new departmental structures and service Business Continuity Plans are up to date on the Business Continuity Planning Database and that the Corporate Business Continuity Plan takes account of these changes and forms an integral part of the revised Generic Emergency Response Plan. Also that critical services are reviewed and again form an integral part of the Council’s Emergency Response.

3.3 Budget Monitoring

- 3.3.1 Budget monitoring is undertaken on a monthly basis and quarterly reports are produced for Members.
- 3.3.2 The Q2 statement (i.e. April to September 2016) provides a summary of spend to date and a forecast outturn for the year. This alerts Directors to any pressures which they are required to address.
- 3.3.3 As such, it is critical that forecasts are accurate, evidence based and have been through a rigorous quality assurance process.
- 3.3.4 The Quarter 2 report went to both Cabinet and Overview & Scrutiny Committee on 14 December and will be reported in summary elsewhere on this agenda.

3.4 Work of Internal Audit

3.4.1 The Internal Audit Section operates according to a risk based Audit Plan.

3.4.2 During the period April to September 2016, the section has examined the following fundamental financial systems;

- Main Accounting system;
- Council tax;
- Creditors;
- Business Rates;
- Housing Rent;
- Cash and Banking;
- Debtors;
- Housing Benefit;
- Treasury Management;
- Payroll

3.4.3 The Internal Audit section produces reports which rank recommendations according to urgency / priority. The reports completed during the first quarter have produced a total of 118 recommendations. To date, none of these recommendations have been ranked RED – which would warrant specific inclusion in the Governance Statement.

3.5 Work of Governance Panel

3.5.1 The Governance Panel has now met regularly since its inception in November 2008, and continues to be a valuable arena to exchange information / concerns regarding the Council's governance arrangements.

3.5.2 The Panel comprises:

- Interim Executive Director of Resources & Regulation and S151 Officer;
- Assistant Director of Legal & Democratic Services (Monitoring Officer)
- Head of Financial Management

3.5.3 The Panel last met on 9 November and 12 January, 2017 and no concerns were raised which required specific reference in this update. The next meeting is scheduled for 13 April, 2017.

3.6 Sickness Update

3.6.1 The Audit Committee has shown considerable interest in sickness absence, requesting absence data and action plan updates from Executive Directors.

3.6.2 The following table contain the sickness absence figures per full time equivalent for the Council.

Department	2014/15 Full Year	2015/16 Full Year	2016/17 Q1	2016/17 Q2	% change Q1 to Q2
Communities & Wellbeing	12.1	13.5	11.6	11.8	+1.7
Resources & Regulation	7.0	8.0	6.9	7.3	+5.8
Children, Young People & Culture	7.99	8.4	8.9	9.4	+5.6
Total FTE days lost	10.2	9.3	9.2	9.6	+4.3

Note – the quarterly figures are calculated on a rolling 12 month basis and do not reflect the quarter in isolation. Therefore, the Q2 period for 2016/17 relates to the full year period of 1/10/15 to 30/9/16.

- 3.6.3 The sickness levels remained relatively constant per days lost per FTE for the last three years.
- 3.6.4 Going forward, sickness absence figures will continue to be reported to the Audit Committee in future quarterly updates.

4.0 Conclusion

- 4.1 This report provides an assurance, and presents evidence, that the Council reviews its internal control / governance mechanisms on a continuous basis.
- 4.2 There have been no significant internal control issues during the period covered by this report.
- 4.3 The control environment will continue to be monitored throughout the year, and Audit Committee will continue to receive updates on a quarterly basis.

Andrew Baldwin
Head of Financial Management

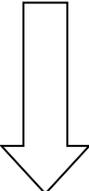
Background documents:

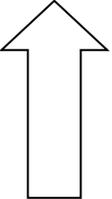
- Risk Registers
- Internal Audit Reports
- Minutes of Governance Panel

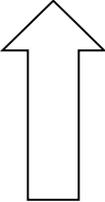
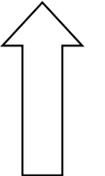
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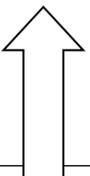
Mr A Baldwin, Head of Financial Management
 Tel. 0161 253 5034
 Email: a.baldwin@bury.gov.uk

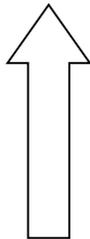
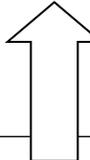
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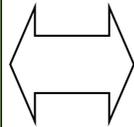
Risk	Risk Owner	Raw Risk Score				Target Risk Score	Mitigation Measures / Assurance Levels			Risk Conclusion	Residual Risk Score				Direction of Travel
		Likelihood	Impact	Proximity	Score		Level 1	Level 2	Level 3		Likelihood	Impact	Proximity	Score	
The Council doesn't agree a balanced budget	Cabinet / SLT	4	4	4	64	LOW	<p>The Council has a 4 year financial forecast covering 2016/17 to 2019/20 in line with the Government's 4 year funding offer.</p> <p>Budget options have been prepared covering a 3 year period, recognising the lead in times for the development of options.</p>	<p>Budget options are validated by the Councils Strategic Leadership Team, and through regular meetings with Portfolio Holders.</p> <p>Labour Group have held 5 sessions to consider budget options.</p> <p>Ultimately budget proposals will be considered by the Overview & Scrutiny</p>	External Audit Opinion on VFM / Financial Standing	Manage	1	4	4	16	<p>Previously 32</p> <p>Downgraded to reflect work that has taken place over last quarter</p> 

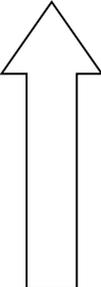
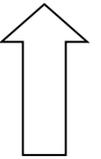
								Committee, and approved by Full Council.							
The Council cannot deliver cuts approved in the budget	Cabinet / SLT	4	4	3	48	LOW	<p>Once approved, cuts need to be delivered.</p> <p>Robust budget monitoring procedures are in place, given early warning of potential pressures.</p> <p>This is supplemented by detailed analytical review of spend patterns</p> <p>2016/17 in year monitoring highlights the challenges of delivering continuous budget cuts.</p> <p>Control measures in place to mitigate overspend pressures where possible.</p>	<p>Budget monitoring reports are considered every month by SLT, and reported quarterly to Cabinet.</p> <p>SLT and the Cabinet meet regularly to discuss progress with the in year budget.</p> <p>Monitoring reports are also considered quarterly at;</p> <ul style="list-style-type: none"> • Star Chambers • Overview & Scrutiny • Audit Cttee 	External Audit Opinion on VFM / Financial Standing.	Manage	3	4	4	48	<p>Previously 24</p> <p>Increased to reflect challenge of delivering continuous budget cuts</p> 
Resilience and capacity	SLT	4	4	2	32	LOW	Budget options	Business	External Audit	Manage	3	4	4	48	

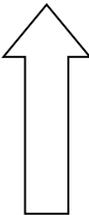
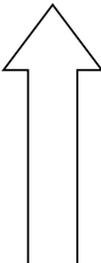
of services is jeopardised by ongoing funding reductions					48	LOW	<p>consider operational impact, and are subject to separate risk assessments.</p> <p>The Council undertakes workforce planning to ensure the right staff are in place, with the right skills at the time needed.</p>	<p>continuity plans exist for all services</p> <p>The Council received minimal transition funding from the Government compared to other GM authorities.</p> <p>The Council has access to transformation funding under GM Health & Social Care arrangements</p>	<p>Opinion on VFM / Financial Standing</p> <p>External reviews, e.g. OFSTED / CQC</p>					36	<p>Previously 24</p> <p>Revised upwards to reflect minimal transition funding received in 2017/18 settlement</p> 
Changes to the Business Rates Retention scheme (100%) impact adversely on the Council – e.g. appeals	Cllr Lewis / Steve Kenyon	4	4	3	48	LOW	<p>The Council makes “in year” provision for the impact of appeals when estimating yield (NNDR1), and also makes provision within the annual revenue budget.</p> <p>In addition, the Council holds a reserve to fund the backdating (ie</p>	<p>The Council maintains an active dialogue with the Valuation Office Agency to ensure that appeals are dealt with in a timely manner.</p> <p>The Council participates in the GM Collection Fund</p>	<p>The Council’s External Auditors review the Council’s Collection Fund, and Appeals Provisions as part of the annual audit process.</p>	Manage	3	4	3	36	<p>Previously 24</p> <p>Risk increased to reflect 2017 revaluation</p> 

							one-off) effect of appeals. Risk of appeals is heightened under 100% retention (although protection for 2017/18 pilot); also likely to be increased incidence of appeals in light of 2017 revaluation Impact of business failure also increases, however mitigated through work of Business Engagement Team	Accounting Group							
Ongoing Welfare Reforms place additional pressure on both residents and the Council	Cllr Walmsley / Steve Kenyon	4	3	4	48	LOW	Regular monitoring of the impact of reforms is undertaken. Increased risk due to revised CTS scheme, and increased Council Tax (necessary to fund Adult Social Care)	The impact of reforms is reported through the Welfare Reform Board.	There is close liaison with Partner organisations, e.g. CAB, Six Town Housing to assess and mitigate the impact of reforms.	Manage	3	3	4	36	Previously 24 Risk increased to reflect economic uncertainty 

					24	LOW	<p>Increasing reliance on 3rd Sector</p> <p>Concerns over security of employment and uncertain economic outlook</p>								
Ongoing academisation of schools impacts upon income levels for traded services	Cllr Briggs / Mark Carriline	2	4	3	24	LOW	<p>Traded services are currently undergoing a comprehensive review to assess the impact of academy conversions.</p> <p>Requires more proactive management as risk of schools not buying-back increases</p>	<p>The Council has a good relationship with schools, and a high level of buy-back.</p> <p>Where possible, and viable, services will continue to be traded to schools that undergo academy conversion.</p>	The relationship with schools is managed proactively through the Schools Forum.	Manage	3	2	3	18	<p>Previously 6</p> <p>Increased to reflect buy-back risk</p> 
Unknown implications of the Brexit referendum impact adversely upon the Council	Cabinet / SLT	3	3	3	27	MEDIUM	<p>The most significant risk is the uncertainty of the implications of Brexit – notably economic conditions.</p> <p>Potential impact on the pound, inflation, and impact upon Bury</p>	<p>The Council makes use of external brokers (Capita) who offer advice on economic conditions and the Council's Treasury Management.</p>	Other professional networks are utilised, e.g. GM Treasurers Group	Accept	4	4	3	48	<p>Previously 27</p> <p>Risk increased to reflect level of uncertainty</p> 

The Council is unable to manage customer / resident demands and expectations in the light of funding reductions	Cabinet / SLT	4	4	3	48	LOW	businesses The Council has previously written to all residents advising them of the impact of funding reductions. Further communication required e.g. Township Forums	Public meetings are held each year as part of the budget consultation process.	The role of elected members is critical as they provide an interface between residents and the Council	Manage	3	4	3	36	Previously 24 Risk revised to reflect scale of challenge 
The Council's growth strategy is impeded by external influences, e.g. economic conditions	Leader / Mike Owen	3	4	3	36	LOW	The Council has a clear Growth Strategy in place GMSF will present opportunities for growth, however also create competition between Boroughs Economic uncertainty may stifle growth.	This has been agreed at both Council and Partner level (Bury Wider Leadership Group).	The Council actively promotes development opportunities nationally, and engages with GM activity to promote the region.	Manage	2	3	3	18	No change 
Population growth and age profile lead to service demands exceeding Council capacity / resources.	Cabinet / SLT	4	4	3	48	LOW	The Council has adopted the Social Care Precept (2016/17) to channel additional	A number of initiatives are in place aimed at early intervention, and self care e.g. reablement,	Close working takes place with partners in the CCG and key providers to mitigate demand	Manage	4	4	4	64	Previously 27 Revised to reflect NHS pressures and lack of

							resources to pressures in Adult Social Care. Continuing pressures in the NHS will impact upon the Council's services Lack of <u>additional</u> funding in the 2017/18 settlement Fragile market of care providers	wellbeing service	pressures. Development of LCO / OCO working model						additional funding 
Ability to maintain core statutory functions e.g. safeguarding is impeded by funding reductions.	Cabinet / SLT	2	4	3	24	LOW	The budget setting process reflects the statutory nature of some services when allocating cuts targets	Directors prioritise spend to ensure statutory obligations are fulfilled – this is done through the Cash ceiling / virement scheme.	External Audit Opinion on VFM / Financial Standing External reviews, e.g. OFSTED / CQC	Manage	2	4	3	24	Previously 12 Revised to reflect current spend pressures 
Health & Social Care integration does not reform services and deliver required efficiency savings	Cllr Holt / Pat Jones Greenhalgh	2	4	3	24	LOW	The Council and CCG work closely together and operate pooled budgets in some	The Council is working towards development of a single	Partnership working takes place at a higher "North East Sector" level	Manage	3	4	4	48	Previously 24 Revised to reflect

							<p>areas (Better Care Fund).</p> <p>The Council and CCG management teams meet jointly on a regular basis.</p> <p>Capacity to develop arrangements is a risk, however the Council will access transformation funding to mitigate this</p>	<p>commissioning organisation (OCO); this is expected to be in place by April 2017.</p> <p>Similarly, it is proposed to operate a Local Care Organisation (LCO) from April 2017.</p>	<p>with Oldham and Rochdale Councils, recognising the broader footprint of key providers (Pennine Care & Acute).</p>						<p>current pressures in NHS & Council, and challenges of joint working</p> 
GM approach to devolution does not reform services and deliver required efficiency savings	Leader / Mike Owen	2	4	3	24	LOW	<p>The Council is an equal partner in AGMA, and engages actively through regular GM meetings at officer level.</p> <p>Risk that reform takes place at the pace of the slowest partner</p> <p>Risk that Bury's low cost base rises to average GM levels</p>	<p>This is supplemented by a comprehensive schedule of meetings at member level.</p>	<p>The Leader and Chief Executive lead on the Crime and Justice workstream.</p>	Manage	3	4	4	48	<p>Previously 24</p> <p>Risk revised to reflect challenges of joint working</p> 



Annual Report on grants and returns 2015/16

Bury Metropolitan Borough Council

December 2016



Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Rashpal Khangura, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction and background

This report summarises the results of work we have carried out on the Council's 2015/16 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2015/16 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim – the Council's 2015/16 Housing Benefit Subsidy claim. This had a value of £54.1 million
- Under separate assurance engagements we certified two returns as listed below:
 - Teachers Pensions EOYCa Return; and
 - Pooling of Housing Capital Receipts Return.

Certification and assurance results (Page 4)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was unqualified.

- This was the same as the prior year as there were no recommendations.

Our work on the other grant assurance engagements resulted in the following reports:

- Teachers Pensions EOYCa Return – Unqualified;
- Pooling of Housing Capital Receipts Return – Unqualified.

No adjustments were necessary to the Council's grants and returns as a result of our certification work this year.

Fees (Page 5)

Our fee for certifying the Council's 2015/16 Housing Benefit Subsidy grant was **£9,191**, which is in line with the indicative fee set by PSAA.

Our fees for the other 'assurance' engagements were subject to agreement directly with the Council and were: **£2,500** for Teachers Pensions and **£3,000** for the Pooling of Housing Capital Receipts.

Summary of reporting outcomes

Overall, we carried out work on 3 grants and returns:

- All were unqualified with no amendment.

Detailed below is a summary of the reporting outcomes from our work on the Council’s 2015/16 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other assurance engagements					
— Teacher Pensions	2				
— Pooling of Housing Capital Receipts	3				
		-	-	-	3

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2015/16 was £14,691.

Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2015/16 of £9,191. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £11,310.

Grants subject to other assurance engagements

The fees for our assurance work on other grants/returns are agreed directly with the Council. Our fees for 2015/16 were in line with those in 2014/15, with a small reduction in Housing Benefit, as set by the PSAA.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2015/16 (£)	2014/15 (£)
Housing Benefit Subsidy claim	9,191	11,310
Teachers Pensions	2,500	2,500
Pooling of Housing Capital Receipts	3,000	3,000
Total fee	14,691	16,810



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The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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External Audit Plan 2016/2017

Bury Metropolitan Borough Council

January 2016

The Local Government Landscape



Financial Statement Audit



There are no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provides stability in terms of the accounting standards the Authority need to comply with.

Materiality

Materiality for planning purposes has been based on last year's expenditure and set at **£8.5 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£0.4 million**.

Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- Significant changes in the pension liability due to LGPS Triennial Valuation;
- Valuation of Property, Plant and Equipment; and
- Agresso system upgrade

See pages 3 to 6 for more details.

Value for Money Arrangements work



Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Standing; and
- Ofsted Inspection

See pages 8 to 12 for more details.

Logistics



Our team is:

- Rashpal Khangura – Engagement Lead
- Jerri Lewis – Manager
- Robert Fenton – Assistant Manager

More details are on **page 15**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan and a Report to those charged with Governance as outlined on **page 14**.

Our fee for the audit is £116,730 (£116,730 2015/2016) see **page 13**.

Introduction

Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2016/17 presented to you in April 2016, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.

Our audit has two key objectives, requiring us to audit/review and report on your:

- *Financial statements (including the Annual Governance Statement):* Providing an opinion on your accounts; and
- *Use of resources:* Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 8 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for the 2016/17 [and the findings of our VFM risk assessment].





Financial Statements Audit Planning

Our planning work takes place during December 2016 to February 2017. This involves the following key aspects:

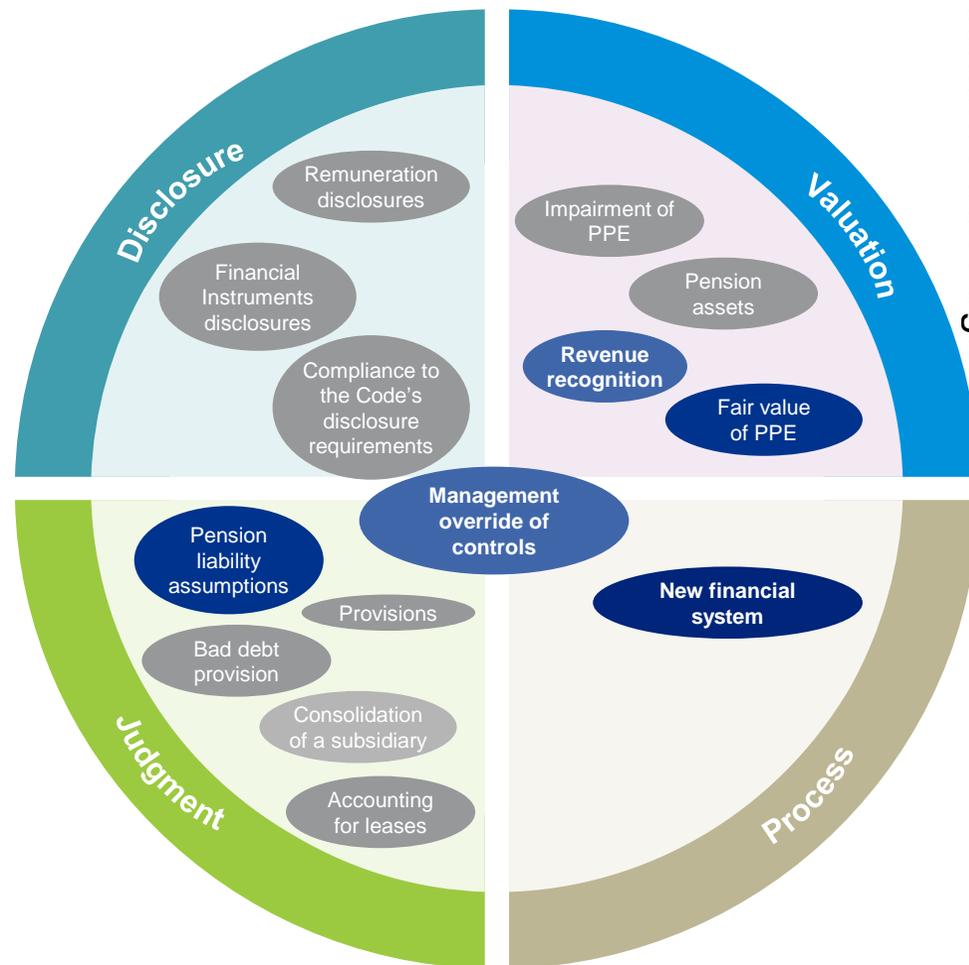
- Risk assessment;
- Determining our materiality level; and
- Issuing this audit plan to communicate our audit strategy.

Risk assessment

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

- **Management override of controls** – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- **Fraudulent revenue recognition** – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The diagram opposite identifies, significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



Keys: ● Significant risk ● Other area of audit focus ● Example other areas considered by our approach



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Significant changes in the pension liability due to LGPS Triennial Valuation

During the year, the Local Government Pension Scheme for Greater Manchester (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2016 in line with the Local Government Pension Scheme (Administration) Regulations 2013. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.

The pension liability numbers to be included in the financial statements for 2016/17 will be based on the output of the triennial valuation rolled forward to 31 March 2017. For 2017/18 and 2018/19 the actuary will then roll forward the valuation for accounting purposes based on more limited data.

There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Tameside Metropolitan Borough Council who administer the Pension Fund.

Approach

As part of our audit, we will agree any data provided by the Authority to the actuary, back to the relevant systems and reports from which it was derived, in addition to checking the accuracy of this data.

We will also liaise with Grant Thornton who are the auditors of the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf to check the completeness and accuracy such data.

Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Valuation of PPE

The Council policy for asset revaluation is to 're-value sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years'. The NBV of the fixed assets as at 31 March 2016 was £584.2m.

At the 31 March 2016, there were 46 assets which remained 'unvalued' (in line with rolling five year programme) due to resource constraints in property management. The results of these valuations were available as at the end of June, however these values because of the timing, were not incorporated into the financial statements. This resulted in an unadjusted misstatement of £755k.

The Authority have made good progress developing their processes to ensure the programme of revaluation is up-to-date and the carrying value of the asset base is materially accurate. However, given the historical issues identified with fixed asset revaluations in the past and the significance of the value to the financial statements we have identified this as a significant audit risk.

Approach

We will undertake the following work over the valuation of material land and building balances:

- Consult the Authority early to ensure the current year programme of revaluation is on target;
- assess the competence, capability, objectivity and independence of the internal valuer;
- critically assess the calculation of market value indices movements, including a re-performance of this calculation to confirm that no material movement in the value of land and building assets is indicated;
- critically assess the Authority's formal consideration of indications of impairment and surplus assets within its estate, including the process undertaken and the adequacy of the formal, written decision document used in the process; and
- consider the adequacy of the disclosures about the key judgements and degree of estimation involved in concluding that there has been no material movement in the value of land and buildings since 31 March 2016.



Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error.

Risk : Agresso System Upgrade

The Authority are implementing a significant upgrade to their general ledger system, Agresso, in February 2017.

The upgrade will involve data migration which gives cause for us to recognise this as a significant risk which is pervasive to the financial statements. The Authority have evidenced there is a working group in place to project manage the implementation and we have reviewed a project highlight report that suggests the project is on track for completion in the agreed timescale. Internal Audit are planning to carry out testing to ensure the transfer of the ledger information is complete and accurate.

Approach

We will review the work of internal audit to inform our risk assessment and consult our internal Information Risk Management (IRM) team to determine the approach to testing the data migration as part of the General IT controls testing.

Financial statements audit planning (cont.)



Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

Materiality for planning purposes has been set at £8.5 million for the Authority's standalone accounts and group accounts, which equates to 1.6 percent of prior year gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

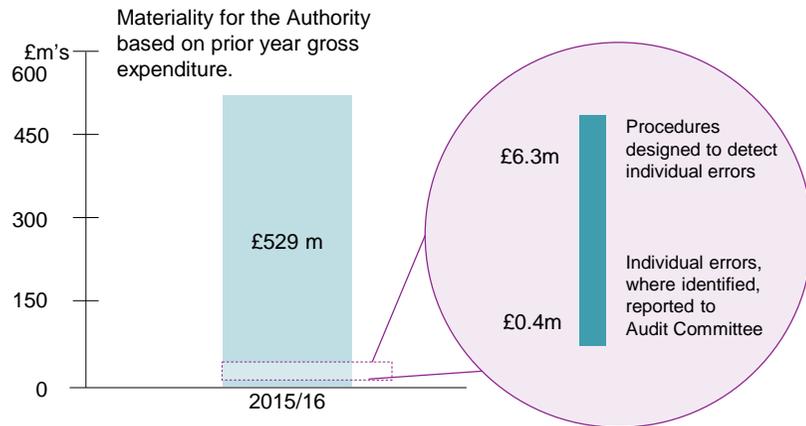
Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by a quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.4 million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Group audit

The Authority's subsidiaries are not deemed significant in the context of the group audit. We will perform standard audit procedures to satisfy ourselves over the consolidation process and substantively test the consolidation schedule.



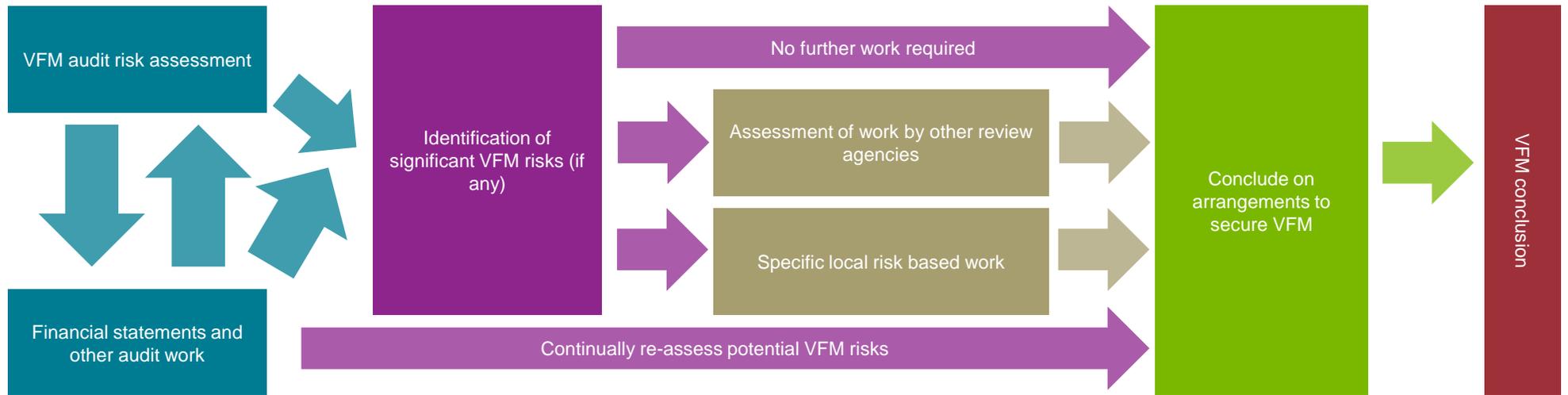


Background to approach to VFM work

The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

The VFM approach is fundamentally unchanged from that adopted in 2015/2016 and the process is shown in the diagram below. The diagram overleaf shows the details of the criteria for our VFM work.





Overall criterion

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.



VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ Information from the Public Sector Auditor Appointments Limited VFM profile tool; ■ Evidence gained from previous audit work, including the response to that work; and ■ The work of other inspectorates and review agencies.
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Identification of significant risks	<p>The Code identifies a matter as significant '<i>if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.</i>'</p> <p>If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:</p> <ul style="list-style-type: none"> ■ Considering the results of work by the Authority, inspectorates and other review agencies; and ■ Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Value for money arrangements work (cont.)



VFM audit stage	Audit approach
<p>Assessment of work by other review agencies</p> <p>and</p> <p>Delivery of local risk based work</p>	<p>Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.</p> <p>If such evidence is not available, we will instead need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:</p> <ul style="list-style-type: none"> ■ Meeting with senior managers across the Authority; ■ Review of minutes and internal reports; ■ Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.
<p>Concluding on VFM arrangements</p>	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
<p>Reporting</p>	<p>On the following page, we report the results of our initial risk assessment.</p> <p>We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>



Significant VFM Risks

Those risks requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place to deliver value for money.

Financial Standing

■ Risk

The Revenue budget approved by Council on 24 February 2016 identified the need to achieve savings of £11.58m in the year to 31 March 2017. At Month 6, the Authority's revenue position was showing a projected overspend of £4.92m. The main variances are due demand pressures in Adult Social Care and Children's Services. The Authority expect to mitigate the overspend through use of general fund reserves and are identifying options for use of earmarked reserves. In addition, the budget consultation for the three year period 2017 to 2020 estimates further cuts amounting to £32m, with £13.3m of cuts expected in 2017/18. The Authority are therefore under great pressure to meet their financial targets with an ever reducing budget. There is a risk the Authority do not have the appropriate arrangements in place to deliver the required savings putting increasing pressure on the reserve balances in the future.

■ Approach

We will assess the arrangements in place for identifying potential savings at the Authority and whether an appropriate governance structure exists to manage this process effectively. This will involve review of the controls in place for monitoring financial performance and assessing whether the Authority is using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making. This will involve the work discussed on the previous page.

Ofsted Inspection

■ Risk

The Cabinet Member (Children and Families) submitted a report to the June Overview and Scrutiny Committee, presenting the findings of an Ofsted inspection of Bury Council Children's Services for children in need of help and protection, looked after children and care leavers. The inspection took place over a four week period during February and March 2016. The inspection found that there were no widespread or serious failings that may result in or leave children being harmed or at risk of harm. However, the report included eleven recommendations to assist the Council in preparing an action plan to ensure all services to children and young people are rated 'good' or 'outstanding'. There is a risk the Authority does not have appropriate arrangements in place to ensure delivery against the action plan, failure of which could impact performance and reputation.

■ Approach

We will assess what processes have been put in place to manage the delivery of the action plan including how the Authority monitors performance against it. This will involve understanding the governance arrangements in place to and determining how effective these are.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2016/17 have not yet been confirmed.

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.

Our audit team

Our audit team will be led by Rashpal Khangura, who continues in his role as engagement lead. Rashpal is joined by Jerri Lewis, who as audit manager is responsible for the overall delivery and quality assurance of the audit work. Jerri is new to the audit in 2016/17, and brings with her a wealth of sector knowledge and a fresh perspective to the audit. Appendix 2 provides more details on specific roles and contact details of the team.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

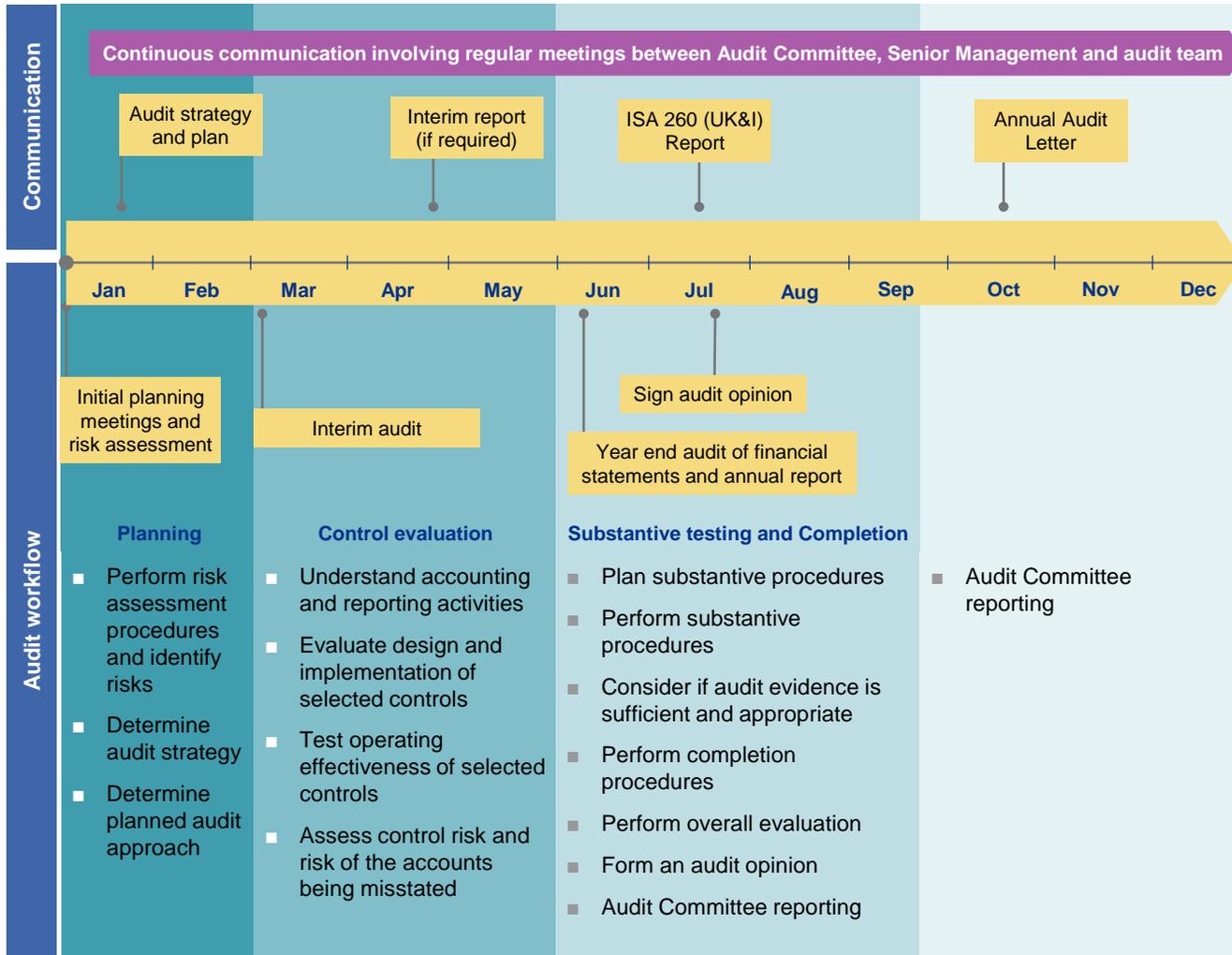
Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

Audit fee

Our Audit Fee Letter 2016/2017 presented to you in April 2016 first set out our fees for the 2016/2017 audit. This letter also sets out our assumptions. We have not considered it necessary to make any changes to the agreed fees at this stage.

The planned audit fee for 2016/17 is £116,730 (£116,730 2015/2016). Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

Appendix 1: Key elements of our financial statements audit approach



Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. We strive to deliver new quality insight into your operations that enhances our and your preparedness and improves your collective 'business intelligence.' Data and Analytics allows us to:

- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as accounts payable and journals. We also expect to provide insights from our analysis of these tranches of data in our reporting to add further value from our audit.

Appendix 2: Audit team



Your audit team has been drawn from our specialist public sector assurance department. Jerri Lewis has joined the audit team as manager, otherwise our audit team were all part of the Bury MBC audit last year.



Name	Rashpal Khangura
Position	Engagement Lead
Telephone	0113 231 3396
Email	Rashpal.Khangura@kpmg.co.uk
	<p>'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.</p> <p>I will be the main point of contact for the Audit Committee and Chief Executive.'</p>



Name	Jerri Lewis
Position	Manager
Telephone	07342 085 113
Email	Jerri.Lewis@kpmg.co.uk
	<p>'I provide quality assurance for the audit work and specifically any technical accounting and risk areas.</p> <p>I will work closely with Rashpal Khangura to ensure we add value.</p> <p>I will liaise with the Interim Executive Director of Resources and Regulation and other Executive Directors.'</p>



Name	Robert Fenton
Position	Assistant Manager
Telephone	0161 246 4686
Email	Robert.Fenton@kpmg.co.uk
	<p>'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'</p>

Appendix 3: Independence and objectivity requirements

Independence and objectivity

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standards require us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Further to this auditors are required by the National Audit Office's Code of Audit Practice to:

- Carry out their work with integrity, independence and objectivity;
- Be transparent and report publicly as required;
- Be professional and proportional in conducting work;
- Be mindful of the activities of inspectorates to prevent duplication;
- Take a constructive and positive approach to their work;
- Comply with data statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information.

PSAA's Terms of Appointment includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of PSAA audit work should not take part in political activity.

- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Auditors appointed by the PSAA should not accept engagements which involve commenting on the performance of other PSAA auditors on PSAA work without first consulting PSAA.
- Auditors are expected to comply with the Terms of Appointment policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the PSAA's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the Terms of Appointment.

Confirmation statement

We confirm that as of January 2017 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.



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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Rashpal Khangura the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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